

WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 2101

IN THE MATTER OF:

Served April 16, 1980

Application of ATWOOD'S TRANSPORT )  
LINES, INC., for Authority to )  
Increase Rates )

Case No. AP-80-01

On January 3, 1980, Atwood's Transport Lines, Inc., filed its WMATC Tariff No. 29 proposing to cancel WMATC Tariff No. 27 and increase rates for regular-route, charter and special operations. Order Nos. 2077 and 2081, served January 11, and February 1, 1980, suspended the proposed tariff, directed publication of the proposed increases and scheduled two public hearings thereon. No person expressed an interest in testifying at these public hearings and they were subsequently cancelled. See Order No. 2093, served March 24, 1980, and Order No. 2081. Accordingly, the case is unopposed.

Atwood's filed with the proposed tariff prepared testimony of an accountant and several exhibits including a balance sheet as of October 31, 1979, a vehicle depreciation schedule, an income statement for the 12-month period ended October 31, 1979, an explanation of adjustments proposed to the income statement and a projected income statement for the 12-month period ending October 31, 1980. Also included were allocations of income and expenses between WMATC operations and those performed in other jurisdictions and an explanation of how those allocations were made.

To evaluate these data and analyze Atwood's proposed increases, the Commission's staff retained an independent economic consulting firm. The consultant prepared several data requests which were answered by the applicant. See Order No. 2084, served February 22, 1980. A full review was then made of all data including Atwood's regularly-kept monthly financial statements, work papers and other documents. Based on this review, the consultant prepared certain exhibits, described in greater detail below, which appear fairly to represent the financial picture of Atwood's.

Two of the three significant differences between the consultant's exhibits and those prepared by Atwood's retained accountant arise from the acquisition by Atwood's of certain properties and operating rights formerly owned by The Gray Line, Inc. See Order No. 1912, served November 6, 1978. Atwood's refurbished certain buses

acquired from Gray Line and initially treated that refurbishing as a maintenance expense. Both the consultant and the accountant later agreed that it was more proper to capitalize and depreciate these expenditures.

Next, the consultant disallowed expenses representing commissions paid to sightseeing ticket sales agents in excess of 20 percent of the base sightseeing ticket price. Atwood's agrees that this disallowance is proper under Order No. 1639, served December 28, 1976. Finally, it is agreed that excise taxes paid by Atwood's on newly acquired buses are capital, rather than ordinary, expenses. The consultant's exhibits, which include these corrections, are adopted by us and serve as the basis for our further conclusions herein. A summary of Atwood's revenues and expenses, the allocation thereof to operations under this Commission's jurisdiction and the consultant's adjustments thereto are set forth below as Table I.

TABLE I

	<u>Total Company Adjusted</u>	<u>Allocation 1/ Per Atwood's</u>	<u>Consultant's Adjustments to Company Allocation</u>	<u>WMATC Allocation</u>
Revenues	\$7,832,440	\$3,202,927		\$3,202,927
Expenses				
Maintenance	1,348,290	448,677	\$ (6,281)	442,396
Transportation	3,279,305	1,953,340	-0-	1,953,340
Station Expense	492,485	456,772	(106,325)	350,447
Traffic S&A	305,647	185,150	-0-	185,150
Insurance & Safety	493,819	230,125	-0-	230,125
A & General	433,819	254,522	(10,598)	243,924
Depreciation	506,179	172,914	(6,775)	166,139
Operating Tax & Licenses	401,948	234,912	(29,890)	205,023
Operating Rents	<u>220,997</u>	<u>113,257</u>	<u>-0-</u>	<u>113,257</u>
Total Operating Expenses	\$7,482,514	\$4,049,669		\$3,889,801
Pre Tax Income (Loss)	<u>349,926</u>	<u>(846,742)</u>		<u>(686,874)</u>

1/ Based on staff converted per-book numbers, company adjustments, company allocation factors, and known and measurable future expense changes. The conversion of per-book numbers involved expanding 10-1/2 months of sightseeing operations to a 12-month test year.

Table I indicates that Atwood's expenses exceed revenues on a WMATC jurisdictional basis. In fact, the increased revenue required for continued healthy operations exceeds that which would be produced under Atwood's proposed WMATC Tariff No. 29.

On March 24, 1980, a conference was held among Atwood's chief operating officer, its accountant and attorney, and the Commission's General Counsel, at which the staff's conclusions were discussed. As a result of that conference, Atwood's filed, on March 26, 1980, a motion requesting (a) acceptance of a new replacement tariff (WMATC Tariff No. 32), (b) permission for that tariff to become effective on less than 30-days' notice as provided for under Title II, Article XII, Section 5(e) of the Compact and (c) permission for another tariff (WMATC Tariff No. 31, raising fares for service to and from Bowie and Rosecroft race tracks) to become effective on less than 30-days' notice. Atwood's asserts that the new tariffs, collectively, would produce between \$581,000 and \$629,000 in additional operating revenues through December 1, 1980, and projects, on an annual basis, an additional \$303,000 to \$338,000 in revenues from per capita sightseeing fare increases proposed to become effective on January 1, 1981. <sup>2/</sup> In support of the proposed rates, Atwood's also filed, on March 28, 1980, its calculation of percentage increases in WMATC revenues which provides weighted revenue averages based on the amount of revenue received from each of Atwood's several operations.

Turning first to WMATC Tariff No. 31, the existing and proposed rates, percent of racetrack revenue (\$124,316) affected, and incremental revenues therefrom are shown in Table II.

TABLE II

<u>Racetrack</u>	<u>Current Rates</u>	<u>Proposed Rates</u>	<u>% of Revenue Affected</u>	<u>Incremental Revenues</u>
Bowie	\$4.25	\$5.00	95	\$20,786
Rosecroft	<u>3.75</u>	<u>4.25</u>	<u>5</u>	<u>827</u>
Total				<u>\$21,613</u>

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<sup>2/</sup> Atwood's would delay this increase inasmuch as (a) its 1980 brochures (with prices) have already been distributed and (b) it fears excessive resistance to full immediate implementation.

Sightseeing rates, increases proposed and the percentage of increases are set forth in Table IV.

TABLE IV

<u>Sight-seeing Tours</u>	<u>Current Rates</u>	<u>Proposed New Rates</u>	<u>% of Increase</u>	<u>Proposed for 1/1/81</u>	<u>% Increase Over Prop. Rates</u>
<u>Individuals (per-capita rates)</u>					
A	\$28.35	\$29.80	5.11	\$33.15	11.24
B-1	11.50	12.10	5.22	13.80	14.05
B-2	11.50	12.10	5.22	13.80	14.05
BA	19.25	20.25	5.19	23.10	14.07
C	13.00	13.85	6.54	15.55	12.27
D	14.50	15.30	5.52	16.80	9.80
H	6.50	6.85	5.38	7.80	13.87
L	11.50	12.10	5.21	13.80	14.05
Z	-	18.00	New	20.70	15.00

Minimum of  
10-Persons (per-capita rates)

A	\$22.39	\$23.57	5.27	\$26.05	10.52
B-1	8.63	9.08	5.21	10.35	13.99
B-2	8.63	9.08	5.21	10.35	13.99
BA	14.44	15.19	5.19	17.35	14.22
C	10.13	10.83	6.91	12.10	11.73
D	11.63	12.08	3.87	13.35	10.51
H	4.88	5.14	5.33	5.85	13.81
L	8.63	9.08	5.21	10.35	13.99
Z	-	13.50	New	15.55	15.19

30-Person  
Groups (group rates)

A	-	\$707.10	-	\$781.50	10.52
B-1	\$258.90	272.40	5.21	310.50	13.99
B-2	258.90	272.40	5.21	310.50	13.99
BA	-	455.70	-	520.50	14.22
C	303.90	324.90	6.91	363.00	11.73
D	348.90	362.40	3.87	400.50	10.51
H	-	154.20	-	175.50	13.81
L	-	272.40	-	310.50	13.99
Z	-	405.00	-	466.50	15.19

The weighted average percentage increase of rates proposed to take effect immediately is 5.3. In addition, a weighted average increase of 13.12 percent would become effective January 1, 1981. The effect of these increases on WMATC sightseeing revenue is shown in Table V.

TABLE V

<u>Sightseeing Revenue</u>	<u>Immediate Increase</u>	<u>01/01/81 Increase</u>	<u>Total Increase on Annual Basis</u>
\$2,052,370	\$108,776	\$283,542	\$392,318

Atwood's WMATC Tariff No. 32 proposes increases in regular-route fares as shown in Table VI. That table also provides the basis for calculating the percentage increases in each rate category which result in an average 22.30 percent increase on one-way fares and a 30.34 percent increase in 10-trip commuter ticket prices.

TABLE VI

<u>Between</u>	<u>Current One-Way Fares</u>	<u>Proposed One-Way Fares</u>	<u>10-Ride Fares</u>	<u>Proposed 10-Ride Fares</u>
Washington, D.C. and				
Silver Hill, Md.	\$1.15	\$1.40	\$ 8.65	\$11.20
Camp Springs, Md.	1.15	1.40	8.65	11.20
Clinton, Md.	1.30	1.60	9.75	12.80
T.B. Junction, Md.	1.60	1.90	12.00	15.20
Silver Hill, Md. and				
Camp Springs, Md.	1.10	1.35	8.25	10.80
Clinton, Md.	1.10	1.35	8.25	10.80
T.B. Junction, Md.	1.25	1.55	9.40	12.40
Camp Springs, Md. and				
Clinton, Md.	1.10	1.35	8.25	10.80
T.B. Junction, Md.	1.10	1.35	8.25	10.80
Clinton, Md. and				
T.B. Junction, Md.	1.10	1.35	8.25	10.80

Inasmuch as 10-ride fares constitute 80 percent of Atwood's WMATC regular-route revenues, a weighted average of the above-stated increases (28.73 percent), multiplied by the annual regular-route revenue (\$63,459) yields an annual increase of \$18,232.

With respect to charter rates, Atwood's existing and proposed rates, percentages and increments are set forth in Table VII.

TABLE VII

<u>Service</u>	<u>Current Rates</u>	<u>Proposed Rate</u>	<u>% Increase</u>	<u>Test Year Charter Revenue</u>	<u>Incremental Revenue</u>
Hourly	\$23	\$ 35	52.5	\$183,434	\$ 96,303
Beltway					
Transfer	60	110	83.3	61,145	50,934
Dulles					
Transfer	80	150	87.5	30,573	26,751
Hourly					
Lectured	26.50	45	69.8	<u>336,298</u>	<u>234,736</u>
Total				<u>\$611,450</u>	<u>\$408,724</u>

Adding the incremental revenues from all sources produces a total revenue increase from Atwood's WMATC Tariff Nos. 32 and 31 of \$840,887, including the sightseeing increments to become effective January 31, 1981.

Table VIII gives effect to these incremental revenues and the expense and income tax consequences thereof.

TABLE VIII

Current Revenue	\$3,202,927
Revenue Increase	<u>840,887</u>
Total WMATC Revenue	\$4,043,814
Current Expenses	(3,889,801)
Insurance (\$3.24/\$100 of revenue)	<u>(27,245)</u>
Pre-tax Income	\$ 126,768
State Income Tax (7 percent)	(8,874)
Federal Income Tax	<u>(34,981)</u>
Net Income	<u>\$ 82,913</u>

After-tax Operating Ratio	97.95
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As shown above, then, the proposed rates would produce a very modest after-tax profit for Atwood's. In fact, the Commission hesitates to approve such rates inasmuch as an operating ratio of 97.95 offers very little margin before the company's WMATC operations would be conducted

at a loss. We are aware, however, that Atwood's management has calculated the likely impact of fare resistance in proposing these rates, and it may very well be that higher rates imposed at this time would reduce ridership and revenues.

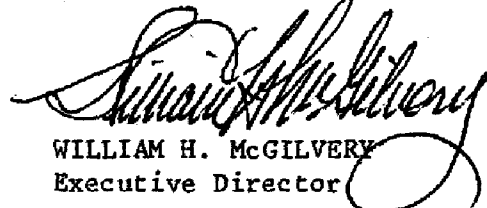
Atwood's has also represented to the Commission's staff its opinion that the test year shows unusually depressed revenues from sightseeing operations. That situation, it is felt, was attributable largely to the so-called "gasoline crisis" that beset the nation in the spring and summer of 1979. Atwood's is optimistic that 1980 will see improved load factors and profits from sightseeing operations.

The Commission therefore finds that the rates proposed by Atwood's in its WMATC Tariff Nos. 32 and 31 are just and reasonable and required by the carrier. These tariffs shall be approved to take effect on three-days' notice from the date of service of this order. Such action renders moot further consideration of issues raised with respect to Atwood's WMATC Tariff No. 29.

THEREFORE, IT IS ORDERED:

1. That the motion of applicant requesting acceptance of the replacement tariff is hereby granted.
2. That WMATC Tariff Nos. 32 and 31 of Atwood's Transport Lines, Inc., are hereby approved and authorized pursuant to Title II, Article XII, Section 5(e) of the Compact to become effective at 12:01 a.m. on the third day following the date of service of this order.
3. That Atwood's Transport Lines, Inc., is directed to post conspicuously and continuously for a period of one week in each of its vehicles notice of this action and the fares authorized thereby no later than one day from the date of service of this order.
4. That, except to the extent granted herein, the relief sought by Atwood's Transport Lines, Inc., is hereby denied and Case No. AP-80-01 is hereby dismissed.

BY DIRECTION OF THE COMMISSION, COMMISSIONERS SCHIFTER AND SHANNON:

  
WILLIAM H. MCGILVER  
Executive Director